

TEMPERATURE OUTLINE OF A PLAN
FOR ECONOMIC SECURITY FOR THE RESIDENTS
OF THE DISTRICT OF COLUMBIA

by

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TENTATIVE OUTLINE OF A PLAN
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The subject of economic security comes to the front for attention just now because of the depression with its widespread poverty due to unemployment and because of the heavy cost of relief. The relief client, no less than the tax payer, wants to find a solution to the present situation.

The President of the United States has announced that he will propose to the next Congress a program for furnishing economic security to the people, and has indicated that some form of social insurance will be a feature of it.

NATURAL
REMEDY

The ideal thing would be for us to have such general prosperity that there would be no unemployment and therefore no funds would be required to relieve it. There have been times when we have approached that ideal condition much more closely than we do now and we had no social insurance then. Therefore, it is natural to hope for the return of such times without our adopting any measures that we did not have before. That is the ordinary man's idea of recovery. Some consider that the adoption of unemployment insurance is equivalent to acknowledging that widespread unemployment is a fixed feature of our present civilization. They fear that any stable provision for relieving the unemployed will make it more unlikely that they will ever be absorbed into industry again. They think that unemployment insurance will crystallize into permanent form an evil which might largely disappear of itself if we let economic processes take their natural course.

For business to take its "natural course" means simply that business leaders should decide what to do rather than political leaders. The natural thing for them to do is to let the burden of the depression fall on the wage earner by giving relief sparingly and by reducing wages. This is exactly what is now being advocated by men who have the so-called orthodox view of economics. They claim that this course would start a process of recovery that would ultimately put some of the unemployed back to work and in the long run it would partially restore the present rate of wages again.

This is the cycle which has been run in connection with other depressions, and these are the means by which recovery has been brought about before.

In discussing economic security it is not fair to propose that the unemployed should bear the brunt of conditions for which others are much more responsible than they are.

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ACTION**NECESSARY**

While unemployment exists, its victims must be relieved through the combined efforts of all those who are able to help. The American public expects that if social insurance is not provided, the unemployed will at least have relief. The American business system must either support the unemployed or absorb them in industry or else it will ultimately be torn to pieces by mobs.

Perhaps if the working people who have already stood enormous losses through unemployment would stand a little more privation and suffer a little longer without demanding security, the business men, unencumbered by the cost of providing security, could see sufficient profits in the offing to justify them in venturing to start enough production to employ the unemployed.

Even if we could get recovery of business by giving little relief and low wages and were willing to pay that price, who wants to reestablish a condition that would merely carry us forward a little longer to another depression with no better preparation to meet it than we had before?

Although relief will have to be paid for largely out of the profits of business, a part of it can be shifted to the unemployed workers by contributions and by a spread-the-work program. Social insurance would take much more of the cost out of the employed workers than the present relief program does. Perhaps this might be considered an advantage by those who would like to shift the burden from the business man to the worker.

According to the usual procedure, the money for social insurance would be raised one third from the employers, one third from employees, and one third from the government, i.e. from taxes.

RELIEF COSTS EQUAL TO
SOCIAL INSURANCE COSTS

The United States provides relief by what is popularly or unpopularly called charity. During the past year its average monthly payments to relief families have been higher per family than the usual compensation paid to the persons receiving unemployment insurance benefits abroad, and there have been more people out of employment in proportion to the population in the United States than in most European countries and the United States has had a greater percentage of her people on relief than the European countries have had on both relief and unemployment insurance.

The people who think that by adopting unemployment insurance such as they have in European countries, the United States would be assuming a heavier burden than it already has, are simply misinformed.

According to the Senate report No. 964 on unemployment insurance, page 29, England paid out in unemployment insurance benefits in the year 1930-31 an average of \$14.05 per year per person covered by insurance and in 1930 Germany paid \$11.13 on the same basis. If Washington paid out \$15.00 a little more than these countries, per head on her 250,000 gainfully employed people who might be covered by insurance she would pay a total of \$3,750,000 in a year. As a matter of fact she paid \$4,350,000 in relief to residents during the last fiscal year, and her relief was not greater in proportion than the other large cities of America.

These statements will doubtless be a surprise to most Americans but they can be verified.

In view of these facts it would be just as easy financially for American to substitute social insurance for a lot of her present relief as it is to keep up the relief.

SOCIAL
INSURANCE
JUST

We all know that there are certain hindrances to economic support which are beyond the control of the individual. Society should definitely accept the responsibility for them. Social insurance is a way of establishing dependable revenues to discharge that responsibility.

This is a reasonable and sensible thing to do. Why should we stigmatize anybody and humiliate him and try to hold him responsible for things he can not help. This is exactly what makes so many people hate organized charity. Social insurance would abolish this shameful practice.

Under social insurance the victims of misfortune would be morally, socially and spiritually better off than they are on charity.

If the plans of society for supporting the unemployed were made more sound and adequate by the establishment of social insurance would the employers do less to promote business revival than they would while giving temporary relief? Business men can adjust to a known expense easier than to an incalculable one. It is better for them to face their problems permanently and squarely and be done with it. If business men can speed reemployment measures at all they are more likely to do so when they are having to pay for unemployment than when they are not. Some may feel that if the employers face a known burden of regular payments for unemployment insurance, they may be deterred from undertaking business ventures at all, whereas they might start business and take a chance of assuming the burden of temporary payments to care for unemployment if it were supposed to be a mere temporary measure.

The idea that substituting social insurance for relief would make unemployment permanent is merely an unsubstantial illusion. Instead of yielding to it, we should insist that people think straight on this subject. Unemployment insurance payments can be temporary just the same as relief payments can. They can be reduced or discontinued whenever they are not needed.

Nobody believes that we cannot produce enough in the United States to support all the people adequately.

Low taxes have had little to do with curing or preventing depressions. European business men pay a good deal heavier taxes than American business men, and yet the Americans have proved just as helpless in stemming the tide of unemployment as the Europeans have.

The government has offered the business man baits in the way of loans and freedom from anti-trust laws and this has only induced him to venture a very little way in the direction of furnishing employment.

Some think the business man has been educated to expect too much profits in the past and that if he only stands the losses of the depression a little longer he may get educated to operate without so much profit. Heretofore profits have accumulated and caused wild speculation and then economic stagnation. Perhaps if the profits were distributed in wages and benefits of one kind and another right along that would stabilize expenditures and reduce the cycles that bring depression and unemployment.

If social insurance accomplishes a steady redistribution of spending power just in proportion as it is needed it may help recovery and perhaps help to keep business going along after it gets started.

We know that we have a good deal of unemployment even in so-called prosperous times and that we are always menaced by a deluge of it during a depression.

When we have a risk to carry, insurance is the proper way to carry it.

ALL-INCLUSIVE
SYSTEM NEEDED

Social insurance is not only a systematic way of providing for the victims of unemployment but it may be used to cover all sorts of misfortune. It is used widely in practically all European countries.

Assuming that we are to have social insurance to cover all sorts of misfortune, there should be a blanket plan to insure against every possible contingency that could cut off one's financial support instead of many little policies and different reserves to cover each kind of misfortune separately. As social insurance has developed in Europe, insurance organizations for accidents, sickness, old age, unemployment, etc. have come along one after another and exist as separate entities. There would certainly be an economy in administration if we should have one comprehensive scheme by which to guarantee the economic security of each insured person.

The phrase "each person" raises the question as to

who should be covered by social insurance. In all places where such insurance now exists the schemes cover only a fraction of the people, and the agricultural classes, domestics and various other people are left unprotected. Everybody needs economic security - one as much as another. The time is ripe to consider possible ways of making this protection cover all classes of people.

GUARANTEEING
WORK

One can not contemplate the task of guaranteeing economic security in its totality without considering the facts that the basic means of providing for the necessities of life is WORK. It seems logical that society should guarantee the chance to work to those who are able and especially to those who are not only able but willing and anxious to work.

Supporting people in idleness causes their skill and energy to deteriorate and destroys their incentive to work.

It is a well known fact that large scale charity pauperizes a certain percentage of the people so that they become adjusted to the idea of getting a living without work and get skilled in the art of "chiseling."

The evils of supporting people in idleness have always perplexed the administrator of unemployment relief and have likewise arisen to bother the administrators of unemployment insurance.

Supporting people in idleness, except such as constitutes legitimate periods of rest and vacation, is wrong in principle. In Europe unemployment insurance benefits are paid in lieu of work. Instead of this why not pay these benefits in return for work?

Nowadays work relief such as is given in wood yards and sewing rooms and other specially devised projects usually has two objectionable features. First it has in it the implication of charity. People have to qualify by proving that they are absolutely in poverty. In order to get this work they have to submit to humiliating inquiry into their private affairs and they resent this when all they are asking is a chance to work. The second objection to work relief is the feeling that the projects are not sound, useful projects but are only things so useless or so antiquated in their manner of execution that they could not be commercially profitable.

Public works projects do not have these objectionable features. The principal trouble with them as a remedy for unemployment thus far is that, because they are on a contract basis, they are usually slow getting started, and because of insufficient funds they are inadequate in quantity and they are not sufficiently varied in kind to utilize the skills of the unemployed.

The Civil Works Administration as it operated in 1933-34 undertook a very commendable variety of projects and acted with speed. Its newness and speed made it somewhat inefficient and wasteful. These things might have been overcome by time and experience and these projects might have reached a degree of efficiency equal to the activities of the post office, the public school or the army, if they had been continued. Social insurance funds could be used to support the unemployed in return for work just as the CWA funds were.

The administrative problems could be solved in time and the projects brought to a standard of efficiency that would equal the ordinary commercial projects.

The proposal to operate sufficient Civil Works projects to absorb the unemployed raises at least two important problems; first, can such a program be sufficiently financed by the payments that can be collected even under a bold and sweeping plan of collections from industry and taxes; secondly, would the operation of sufficient government projects to absorb the unemployed compete with private business in such a way as to cause a decline in its operations, and if so, what then?

While it will be necessary to make careful statistical studies in order to secure the necessary information on which to base a plan for solving these problems, yet certain broad observations can be made in advance.

In the first place we may say that the cost of supporting the unemployed must fall on somebody and we are not facing a question as to whether they should be supported but merely the question of how to distribute the burden. Even if we do not support them any better than we do now, we can do it more systematically, and there is no doubt that we can and should do it more adequately.

In the second place it is axiomatic that we can better afford to support people who are working and producing something in society than we can to support people in idleness.

Against the background of these broad principles we should undertake to lay out our plans for supporting the unemployed by guaranteeing them work. In laying out a program of Civil Works to absorb the unemployed we cannot get away from the question of government competition with private industry. We faced the same problems in connection with prison industries. The answer in the field of prison industries has been a program of state use of prison-made products. The same problem has also been faced in connection with the products of work relief clients and the same answer has been given, viz. that the unemployed can manufacture for themselves and for the families on relief and that they can be employed in expanding the public works or the social services of the different government units along the lines of education, research, recreation, public health, etc. There is enough room in these fields to absorb all the unemployed because the scope of work within these lines is very great.

Expansion in the functions of government has been enormous during the 34 years of the twentieth century. Two examples, public schools and roads might be cited as they are very familiar. In general it may be said that the function of the various government units in the United States have increased several times over during this period, and the same trend is even more pronounced in many of the other governments of the world. Those who advocate letting nature take its course or letting economic forces have their way might well mark this natural development. Perhaps their philosophy might suggest that they fall in line with the inevitable course of events and work out their solutions in harmony with the modern trend in industry. This enormous expansion of government in the United States has gone on side by side with the successful operation of private business.

Public business, social service activities and all sorts of non-profit businesses such as churches, school and social agencies, constitute a considerable percentage of all business. This type of business enlists able people, draws forth as much devoted service and is as efficiently and honestly run as private competitive business is, and it probably gives the people more service per dollar spent than private business does. There is nothing to regret in the expansion of these non-profit enterprises.

BASIC THESES

A good inductive study can be made by outlining a theoretical system of complete social insurance for the District and then proceeding to try to find out just what would be involved in applying it.

The following theses are set forth as embodying a more or less ideal plan.

1. A system of social insurance should be established which would take the place of all sorts of home relief or so-called outdoor relief which is caused by misfortune.
2. All the people should be assured an opportunity for economic support during life and a decent burial at death.
3. Insurance funds should afford one blanket guarantee for their beneficiaries against loss of support from any sort of misfortune whatever.
4. Losses from unemployment should only be compensated for by guaranteeing jobs and operating projects to provide work.

5. These projects should all be government enterprises operated directly and consist of giving government service or of producing goods for government use either as relief or as material for other government operations.
6. The cost of supporting these projects should, at least in ordinary times, be raised by assessment drawn in three equal parts from employers, employees, and taxpayers. In times of national emergency such as this depression the extra cost might be carried by Federal Emergency Funds.
7. The insurance funds should be administered by an agency of the Federal Government with local branches.
8. There should be a unified Economic Security Administration consisting of an agency for collecting revenues and making payments to the insured, a local public employment office, a bureau for training, vocational guidance and rehabilitation of the handicapped, and a civil works administrative organization. It should be independent of any agencies for charitable relief.
9. The collecting and disbursing of funds for social insurance benefits should be in the hands of the division of accounts and statistics, and the authorization of employment for beneficiaries should be with the placement division. The authorization for allowances due to disability should be issued by the division of training and rehabilitation, and the devising the executing of work projects should be in the hands of the civil works administration.
10. The facilities of the Health Department and of the Public School System should be fully utilized to accomplish the physical and industrial improvement of the beneficiaries of insurance.
11. Every employable person who depends on work for support should be registered at the Employment Bureau. He should be required to take any commercial job in his occupational range if offered by the Employment Bureau or forfeit his insured job for a period.
12. Every employer should be registered at the Employment Bureau and be given such service as to constitute an inducement to draw on the Employment Bureau for all his help.

13. Rates of pay on government projects should be according to skill and ability but be set on a scale to prevent impractical competition with private industry.
14. The weekly income guaranteed to all insured people should be sufficient to provide the necessities of life.
15. There should be no limit to the time an unemployed man might continue to work on civil works projects, if he got no other job himself and the Employment Bureau could not get him one.
16. Each beneficiary's allowance should be graduated according to the number of dependents he has and to the extra cost of sickness or death in his family.

ADMINISTRATIVE MACHINERY

What kind of an organization should be set up to administer social insurance. Some think each business man should set up a reserve of his own with which he may some time later care for his ex-employees. Others think trade associations should maintain joint funds among their members to cover the employees of all of them. The most familiar method is to have a governmental agency receive and administer the funds collected from employers, employees, and taxpayers. In the United States we have the question of whether the Federal Government should raise and administer the social insurance funds or whether the states should be depended on for this job.

Business is organized across state lines on a national scale and the nation can lay the burden of social insurance on the business regime more equitably than the states can. Besides, any social insurance scheme that depended on state action would have to run the gauntlet of 48 state legislatures and would surely be very slow in getting into action and 48 diverse systems would entail all sorts of difficulties in regard to people who moved from one state to another. Even in a national scheme there would be state offices.

This problem of deciding between state and national governments may be said not to concern residents of the District of Columbia as Congress legislates for the District anyway but it really does concern the District because it would be hard for the District to maintain a good system of social insurance if the surrounding states neglected to do so because the dependent people would tend to move to Washington to get the benefit of her social insurance. If Congress establishes social insurance in the District in advance of the rest of the country, strong residence requirements will have to be set up to protect the District against this influx of new dependents.

DATA REQUIRED FOR
AN INTELLIGENT PLAN

Questions which should be answered in order to make it possible to work out a complete plan of social insurance that guarantees work to all employable persons, and allowances to the victims of other misfortunes are:

1. How many unemployed will have to be employed on civil works because they cannot get jobs in commercial enterprises?
2. What capital outlay will be necessary to finance the projects?
3. How much will have to be paid in wages and other operating expenses for those engaged on projects operated to furnish insured work?
4. What amount of commercial business will still be carried on under the conditions that prevail after civil works are expanded and social insurance contributions are assessed on all business?
5. How much profit will it still be possible for private enterprises to make in each of the respective lines of industry?
6. What will it cost to care for those who must be supported without work because of disability?

These questions probably cannot be fully answered but a good deal can be learned about them.

As a matter of fact private enterprises have experimented along with quite incomplete information and probably an experiment in social insurance with the benefit of foreign experience and business statistics can be worked out so as to have reasonable prospects of successful operation.

We have spent vast sums on scientific experiments, why not do as much for an experiment in complete social insurance?

The District of Columbia is under the control of the Federal Government and is a small unit so far as population goes. It is an ideal place in which to try out an experiment in complete social insurance and to discover for the nation just what would be involved.

Certainly one practical way to make a sound plan and avoid costly mistakes is to construct a system on paper and supply the conditions of operation by drawing on existing experience and available general data as far as possible and then rehearsing the whole operation in imagination again and again and gradually working out the procedure for meeting every contingency that can be imagined before spending money on an actual set-up.

There are now 23,000 cases on relief with the Emergency Relief Division and 12,000 persons from these families and detached individuals are working on public projects. The relief being spent is about \$520,000 per month. When CWA projects were being operated there were 20,000 people being employed, and over a million dollars a month was being spent, and yet thousands of applicants at the D.C. Employment Center who wished CWA jobs did not have them.

The CWA, by offering five days work a week at standard union wages, probably drew some people off from other jobs that were less remunerative, and it afforded skilled laborers a weekly income considerably above a mere living wage.

The number of unemployed that would need to be cared for in normal times needs to be estimated and a plan for regular revenue enough to meet their need should be established. A system of possible Federal subsidies should be authorized that would meet cyclical depressions that passed beyond certain fixed limits described in the law.

Suppose 30,000 persons in Washington continuously claimed the right to unemployment insurance benefits, this theoretical possibility should be subjected to careful scrutiny in order to determine what it would be possible to do for them, and which ones of them were unemployed for so great a portion of their time that they could not properly be asked to live on their annual income.

<u>SCALE OF BENEFITS</u>	The weekly income earned on public projects operated to furnish guaranteed jobs to the unemployed should be low enough to prevent the cost of social insurance rising above the amount which society is able to pay.
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If, in spite of both earnings and social insurance, a family were still destitute of the necessities of life, its problem would have to be met by charity the same as now, but the field of charity would certainly be very much narrowed as compared with its present scope.

At first the weekly rate should not be too much above what is paid by social insurance funds in Europe or what is paid to relief families in the average American City. This is far from ideal but it is a practical beginning rate. The weekly earnings should be graduated according to the customary standard of the family as indicated by the usual annual earnings of a person in the last occupation successfully followed by him. The hourly rate of pay would be the prevailing rate for each trade and be paid uniformly to all people in a given occupational classification without regard to the size of their families but the number of hours guaranteed weekly should be graduated so as to make the weekly income proportionate to the number of people dependent on the applicant and to any expensive misfortune that might be in his family.

The earnings of a man and his wife and minor employable children when they were maintaining a common home should all be considered in fixing his eligibility for social insurance benefits, so as to insure the family income and not that of each individual member. All adults outside of husbands and wives living together should be eligible to insurance benefits on the basis of their own individual claims. In allowing extra for family dependents not only the need is recognized but also the fact that wives and children often earn part of the family income.

The maximum allowance for a person permanently disqualified for full commercial employment should be \$100 per month from insurance funds no matter what his former earning capacity might have been.

The weekly earnings allowed a person might well be 40% of the rate usually earned in his occupation, as arrived at by dividing the usual annual earnings by 52 and then taking 40% of that. To this should be added one fourth as much as he is allowed for himself, for his wife and each minor child dependent on him. In other words, if a man had a wife and two dependent children he would get 70% of his normal personal earnings. If the usual annual income in his occupation were \$1000 a year he would get \$1000 divided by 52 and multiplied by .40, which gives \$7.84 per week for himself and \$1.96 for each of his three dependents or a total of \$13.72 per week or \$700 a year.

Unskilled laborers probably do not usually earn over \$600 per year. The family of a man in the \$600 class who had a wife and two dependent children would get \$8.06 weekly or about \$35.00 per month, which is pretty close to what such people are getting on relief in the cities where relief is highest.

If an unemployed beneficiary and his dependents became partially employed through odd jobs their benefits should not be cut off until they could be offered jobs that would supply a weekly income equal to the insurance payments guaranteed and in which they would be paid the going rate per hour. In other words when the \$1,000 man could

get jobs for himself and the employable members of his family that gave them a combined income of \$16.80 per week, he would be cut off and when the \$600 man's family could get jobs that paid \$10.07 a week he would be cut off.

Claims to support dependents should be verified and authority should be given by law to deduct some pay from the earnings of a person responsible for certain dependents and give it to the dependents in non-support cases where non-support had been proven in court.

TRAINING AND REHABILITATION

If the placement division should find a person persistently unsuccessful in the jobs where he had been placed, or unqualified to be placed, it should be authorized to avoid placing him until his difficulties could be adjusted, and he should be referred to the department of training and adjustment which would study his physical and mental ability and his industrial skill and his adaptability in adjusting himself to proper organization procedure and endeavor to prepare him for successful work.

If he could not be prepared for work in regular industry because of irremediable handicaps, or were industrially insolvent for any reason, he should be used in projects for the handicapped operated by the Civil Works Administration and if he were so disabled in body and mind as to be unable to be used there, he should be pensioned for disability. If he could not be employed because of delinquency in conduct for which he was justly amenable to discipline it should be possible to present the case to court and have him committed to the workhouse for a period to be determined by the parole board.

NEEDS TEST

An unemployed person, who had property or unearned income but still wanted employment and was willing to take jobs when offered, should be allowed an insured job on Civil Works Projects if he wanted it. The cost of giving jobs to such people would be negligible and, besides, the people would earn what they got. If no investigation of an unemployed man's needs were undertaken the whole system would be freed of a disagreeable and impossible task of inquiring into the private affairs of every applicant. If a man were willing to earn his subsistence and did so this should absolve him from accounting to anybody for how much he had or how he spent it. Besides this, the applicant may have sacrificed to have his resources and why should he not be protected from loss as much as the free spender is so long as he actually works for the 40% income which he gets anyway.

The question of whether a person who seeks benefits because of disability should be granted disability allowance without regard to his property or income is a harder question to answer, but it should logically be answered affirmatively. This would be especially true after social insurance had been in force over a long period of years during which every employable person had contributed to the insurance fund.

A good compromise at the beginning would be to say that a person who had been recognized as an employable person and been employed off and on for a year before the fund went into effect either in commercial projects or on regular work relief projects would be entitled to social insurance benefits for himself and his dependents, but all other disabled people who require relief should be pensioned from tax funds or be the responsibility of relief agencies. In that way the insurance fund would not be required to take the burden of caring for the unemployables that were already unable to work when the fund went into effect, nor for any defective adult who never became employable.

The government employees who have been paying into a retirement fund might be permitted to stop paying and draw down their benefits on the same basis as a resigning employee or be permitted to continue paying and draw those benefits on top of the ones provided in the new social insurance scheme.

The death of the natural bread winner of a family should be regarded as a misfortune which would entitle his dependents to insurance benefits. This means that the claims for widows allowances should be absorbed into the blanket social insurance scheme, or else the present allowances be treated the same as if they were earned income.

Old age is a form of disability which could be covered the same as disability from any other cause and pensions for the blind should be absorbed into the blanket social insurance scheme.

The retirement plans for government employees and likewise the present provisions for accident compensation should be correlated with the blanket social insurance scheme.

Burial insurance such as is carried by thousands of poor families is expensive and could be much more economically covered in the blanket social insurance scheme and paid for by some flat amount or by a plain but dignified public burial in case the family were depending on insurance funds for support at the time of the death of one of its members.

WAITING
PERIOD

In all schemes of unemployment insurance thus far developed there is what is known as a waiting period, during which the insured person receives no payment even though he is unemployed. If he had intermittent employment his waiting periods would come after each short job and he would get little or no benefits although he suffered greatly from unemployment. The fact that seasonal unemployment is well known in certain industries and higher wages have been set because of it, makes it advisable that the need of unemployment benefits should be based on the decline of employment below the usual yearly employment in a given industry, rather than what a man would earn if his high rate were projected over a full year. In other words, certain unemployment may already be compensated for by higher wages during the active employment season. In lieu of a uniform waiting period therefore, it would probably be advisable to establish a rule that if a man during the six months just prior to his application for benefits, earned less than 75% of the customary earnings in his occupation for that season, and if he were unemployed at the time of application, he would be entitled to begin receiving benefits.

METHODS OF
RAISING REVENUE
AND ALLOTING IT

Every employer, even of a single part time employee, would be required to pay the insurance fund, an amount equal to 3% of the pay he gave the employee plus 3% additional which he would be authorized to deduct from the pay of the employee. Payments would be made only on wages amounting to a major fraction of a dollar and would be paid by the purchase of stamps of not less than six cent denominations.

Every employer would be required to register with the Division of Accounts and Statistics of the Economic Security Administration and buy a supply of stamps sufficient to cover the tax on at least \$10 worth of employment to some employee and could purchase as many more as his needs required.

He would be required to affix stamps in a book presented by his employee at the time of each payment of wages, sufficient to equal six cents for each dollar or major fraction thereof included in the payment and would also be required to either submit his payroll or to take from the employees stamp book a card self-addressed to the Economic Security Administration bearing the identification number of the employee and enter on it the date, the amount paid and his own identification number as an employer and drop this into the mail without postage, the arrangement for postage being made by the Economic Security Administration. These cards and payrolls could be

posted in accounts according to employers and would be posted according to the beneficiary's number and would become material to help in determining the annual occupational rate for all people in his occupational class as the average would indicate his rated annual earnings, and therefore the size of his weekly benefits.

The records of collections from employers and employees would incidentally supply a complete employment record on each beneficiary and the department of accounts and statistics would have to make this information available to the placement division. This record of earnings would also show when a person's eligibility would begin.

The reason for having the placement division handle work authorization is because the work offered on Civil Works would be conditioned on the taking of work on commercial projects when that was available. The placement division would need to know the earnings from private industry of each potential insurance beneficiary in order to determine his eligibility for insurance funds, and his rate.

The more the placement division of the Economic Security Administration could get the opportunity to supply all help needed private enterprises the better chance it would have of keeping down the number to be supported by insurance funds.

After the first year of operation it would be possible to tell from the employment records just what the average yearly or seasonal earnings of the people employed in a given occupation were by the record of stamps they had received. The estimates during the first year might have to be somewhat arbitrary but they could be uniform for all cases and therefore not capricious or unjust.

Every gainfully employed person working on a salary or wage basis would become partially responsible for the collection of the insurance funds, in that he would demand that his employer put the proper amount of stamps in his book each time he got paid.

The revenue from the sale of stamps would supply funds for paying insurance benefits. The stamps would be sold by the post office stations. The funds arising from their sale would be deposited in the Postal Savings Bank and be disbursed by it on orders from the Economic Security Administration. The revenue earned by the deposits would first be applied to the cost of issuing and selling the stamps and handling and disbursing the funds and then to the Administrative expenses of the Economic Security Administration.

ESTIMATE OF FUNDS REQUIRED

Experience has shown in the relief cases in Washington that just about one third of the cases are detached individuals and that the family cases contain almost exactly four people on the average. On that basis, among 30,000 cases there would be 20,000 families and 10,000 detached individuals. The unemployed people in Washington are mostly wage workers and more

~~employed people in Washington are mostly wage workers and more than half of them unskilled. It is doubtful if their average earnings would reach \$1,000 a year apiece.~~

In a study of 5,066 relief cases, taken at random, the persons reported their average weekly earnings when employed at \$19.46. If these people were employed a full 52 weeks in the year, they would earn \$1,011.92 apiece a year, but no such group would ever normally get in full time. In case the income did reach \$1,000 apiece, the detached individuals would need \$400 a year in insurance benefits on the average and the families one and three fourths that much or \$700 apiece. On that basis 20,000 families would need \$14,000,000 and 10,000 detached individuals would need \$4,000,000 - a total of \$18,000,000.

This sum includes only what should be paid to help cover the loss of wages due to unemployment, no matter what the cause of the unemployment. It does not cover additional expenses above the ordinary living cost which would be caused by medical care or burial expenses.

"Dr. Michael Davis estimates that \$8 to \$15 a year is enough to pay all the expenses of hospital care and professional fees for acute illness (except obstetrical cases) provided this amount were paid annually by each member of an unselected group of the population" - Insecurity by Epstein. P. 447.

To pay \$10 per year for each member of 20,000 families (80,000 people) and for each of 10,000 detached individuals - a total of 90,000 people - would cost \$900,000 a year.

If the death rate among the supposed 90,000 people whom the insurance fund might be called upon to help were 20 per thousand, there would be 1800 deaths. Suppose a funeral benefit were given, that would give the beneficiary an option of \$30 cash or a plain but dignified burial on public ground the burials would cost \$56,000.

Twenty thousand maternity cases at \$25 each would cost \$50,000.

Therefore, \$1,000,000 should be added for the sickness, maternity and death benefits. The loss of wages through illness is already covered in unemployment estimates.

Therefore, if there were 30,000 continuously needing out-of-work benefits and they were given these plus the estimated allowance for medical care and burials, it would cost \$19,000,000 yearly to meet the bill.

PLAN FOR RAISING THE REQUIRED FUNDS

There were 243,853 persons gainfully employed in the District of Columbia at the time of the 1930 census.

There are over 250,000 now. These figures include all people supposed to be gainfully employed. After making liberal allowance for unemployment and for self employed people there would be at least 200,000 persons working on a wage or salary basis.

The average income of the employed people in the District of Columbia is \$1,260 a year according to a careful estimate. This was arrived at by taking the 1932 rates of per capita income of employed people in the various occupations and industries of the United States as indicated in the latest report of the Bureau of Foreign and Domestic Commerce on National Income and applying it to the employed people of the District in accordance with the occupational distribution as it existed in the 1930 census and then taking a weighted average on the basis of 200,000 persons now supposed to be employed in the District.

Probably more than 200,000 people are employed but this is taken as a conservative figure on which to base collections. On the other hand it would be extravagant to estimate that all but 200,000 of the people ordinarily gainfully employed are now unemployed. That would mean that there were 50,000 unemployed in the District. Assuming that 200,000 people earned an average of \$1,260 per year, a total of \$252,000,000, and 6% of this was collected from employers and employes combined, it would provide a revenue of \$15,200,000. If \$7,600,000 were added from taxes that would give a total of \$22,800,000. If \$2,000,000 of the \$7,600,000 paid by the tax payers were set aside for supplying material and supervision for civil works projects and the other \$5,600,000 were added to the \$15,200,000 raised by payroll deductions, it would make a total of \$20,800,000 for paying and administering the allowances guaranteed by law. If the cost of administration were \$1,456,000, which is 7% of \$20,800,000 there would be \$19,344,000 for direct payments to beneficiaries. This leaves a margin of \$344,000 above the estimated cost of the whole proposed insurance program.

Seven per cent for administration would be a cost which corresponds pretty close to administrative costs of unemployment insurance in England, Germany or Austria.

THE VALIDITY OF THE ESTIMATES

Since it is important to have correct estimates, it is worth while to point out certain considerations which affect the foregoing estimates.

- (1) In the first place this is a maximum estimate from which various savings would probably be possible.

The estimate of 30,000 cases needing insurance payments continuously throughout the year may be high. Relief has never been required by

over 23,000 at a time and even when the CWA was in operation the cases never exceeded 30,000 of both relief and CWA cases combined and there were doubtless CWA cases that would not be eligible for insurance benefits under the standards proposed in this plan, although there are probably people who never received either relief or CWA jobs who would be eligible for insurance benefits.

In Great Britain 17.5% of those eligible received some benefits during the year 1931. 17.5% of 250,000 gainfully employed people in the District would be 45,750 but there is a big turnover in the unemployed and even if there were 45,000 needing benefits during the year the number needing them at any one time would probably not reach 30,000.

(2) In the second place it should be remembered that this is a big fund to meet a peak load in the time of a terrible depression and is not to be considered permanent for normal times. In normal times the cost of benefits would be much less and the income better.

(3) In the third place under this plan a person would stand a loss of 25% of his "rated" or usual income for six months before he became eligible for insurance benefits. This would prevent assuming the load of caring for at least 12.5% of the unemployment for the year.

(4) In the fourth place it must be remembered that of the 30,000 cared for on relief and CWA that at least 3500, nearly 12%, were unemployables who would not be taken over in initiating this program but would be left to be cared for on relief. This would not affect the real burden to be borne by the community but it would affect the part to be borne by the insurance fund.

(5) In the fifth place, some savings could be made by taking into account benefits already provided for certain people. Under Social Insurance, if a family were found to be receiving a soldier's pension or a mother's pension or free care in a public institution all of which are paid by the people from taxes, these items should be deducted the same as earnings would be before any social insurance benefits would be payable.

If a person were receiving a retirement allowance from the government for which he paid by deduction from his own salary, this should not be deducted or affect his title to social insurance.

(6) In the sixth place the unemployed get supported now by merchants who extend credit for which they never get paid, by relatives, by private charities, by employers or others. The burden of all these erstwhile contributors would be eased by social insurance.

(7) In the seventh place a great many people have expressed the opinion that the list of families on relief contains a lot of cases who misrepresent and do not need the relief they get. Nobody knows certainly whether this is true or not but with all wage payments whatsoever being reported as they would be under a comprehensive social insurance plan it would be known absolutely, what a man and his family were earning and his insurance benefits would be controlled accordingly. In fact, he would have a real job in his line whenever the employment bureau could give it to him and not be drawing benefits at all.

Even under present circumstances, however, a man who takes a work relief job and earns what he gets cannot justly be considered much of a chiseler. If he were, he would not be working for a bare living on a civil works project. It would be pretty safe to give work relief to anybody without any investigation at all if he wanted it and if he demonstrated his good faith when he got it by doing a fair days work. Relief without work is a different matter. It needs good investigation.

The advantage of knowing completely the extent of employment and unemployment in a city like Washington for an experimental period of five years and of knowing the incomes of all the employed people thoroughly would certainly be worth a very, very substantial outlay to the nation and this is the most practical possible way of securing such a set of economic data.

(9) In the ninth place, the possibility of producing food and other valuable products by the labor of insured people to be sold to insured people or to relief clients is important. These products should not be handed out in lieu of insurance benefits or forced on people, but be sold to them on their merits and they certainly could be sold by making the price and service meet the competition of others bidding for the trade of these particular people. It is true that such a procedure would make competition with private business, within a certain limited area, but this competition could not depress prices for the general market as the products would not be sold on the general market and the unemployed surely have a right to try to support themselves. If such industries are undertaken, and they should be - they should use every known modern device that would produce efficiently. The projects should be operated by the Civil Works Administration. Their earnings should be credited to the insurance fund.

Such industries as these might be a very great factor in reducing the cost of economic security. They are absolutely analogous to institution industries. The institution farms of the nation raise millions of dollars worth of produce for their own institutions' consumption annually.

Just consider one illustration:

The annual report of the Department of Mental Hygiene for the state of New York for 1933 says: (Page 91). "The value, at wholesale prices, of the products of the State Hospital (for insane) farms was \$529,140.95; of the State institution (for defectives) farms \$307,259.41, a total production of \$836,400.36."

If you should add the production of the farms of the similar institutions in the other states and then add that for the almshouse farms and farms of the correctional institutions it would be easy to see what a great sum it would make, to say nothing of the production of factories of all sorts run by such institutions.

This is also along the line of the rural rehabilitation and subsistence farming, which is already being organized.

(10) In the tenth place, in computing the revenue no account was taken of any interest that might be earned on bank balances belonging to the insurance fund.

(11) In the eleventh place if a law were passed by the next Congress it would take perhaps two years in which to collect the first revenue and set up an organization to administer the system.

THE COST JUSTIFIED

The proposed outlay of \$22,800,000 would be justified to demonstrate an experiment so beneficial in character and so important to society.

Nevertheless, it is advisable to present an analysis of just how it is justified from a business point of view.

The basic amount to be raised annually by payroll deductions is a very small investment per person considering the benefits it brings. Many workers and firms voluntarily go into group insurance plans that cost almost as much and do not begin to give the protection that this payment does for the money.

Knowing the tricks of the mind one can imagine each worker groaning as if he himself were paying \$22,800,000 dollars a year. He should not bother his mind about the fact that he is insured in a big company. Considering the protection offered, this is the cheapest insurance he could possibly buy. When he takes insurance with a leading life insurance company he is not depressed by the fact that it has an enormous income from him and the other policy holders.

RESERVES

Of course the immediate answer to this cheap insurance idea is that the plan provides no reserves and involves paying out all the income annually and therefore offers no future returns for those who do not call for benefits as they go along.

Let us admit this for the sake of argument and say that the whole thing is just a big annual relief tax. It would be justified even for that but that is not the whole story by any means.

If a man were sure that this scheme would keep on year after year for the next hundred years he would actually get protection without any reserves of any kind. He would not get benefits such as are given by old line life insurance companies but such as are given by accident insurance companies or fire insurance companies. If you don't have an accident or a fire you don't get anything for your money except a sense of security, but this is worth the money.

If such a social insurance plan as this could be given fixity as an institution in society it would always meet the situation for which it is planned. As a matter of fact the whole business and political regime would itself be the reserve behind it. The real guarantee behind the reserves of the insurance companies we have now is the stability of the concerns to which they loan their reserves. Without that their values would vanish. In other words this social insurance might be established without any reserves or guarantees at all because if this huge so-called annual relief tax were collected and used as planned for a few years, its chance of becoming an established institution and therefore amounting to insurance would be very considerable. The promise of the government to collect these established revenues would in itself be a perfectly good lien on all the resources that create the fund from year to year. That is reserve enough for all practical purposes.

THE TAX PAYERS

INVESTMENT

Now for the \$7,600,000 that comes from the taxpayers - what about it? Under the proposed plan this and much more would be spent directly on civil works projects and the investment in public works and public services would surely be worth all the taxpayer paid when they were supplemented by several million dollars worth of free work besides. In other words, the taxpayer would get as good a bargain for this money as for any he ever spent. How much he would get would depend on the initiative and ingenuity of the Emergency Works Administration.

This Administration should be freed from restrictions and have the whole field of services and projects operated by the District Government opened to it as possible places to utilize the services of those workers furnished by the insurance fund. The Street Department, the Sewer Department, Park Department and all construction and engineering activities could use CWA labor advantageously to expand their work.

Of course, these workers should not displace those already employed, but there is scarcely a department of the district government that could not point out phases of its work that have already been cut and are being neglected. These should be restored and new developments could be devised that would be extremely useful.

One thing that would help the employment situation in the future and incidentally prevent some unemployment would be to continue the employment policy established by the Public Works Administration, requiring that contractors on the Public Works projects of the District Government must draw the main body of their employees from the public employment bureau of the District and that they must be residents.

EFFECTS ON

PRIVATE BUSINESS The questions as to the effect this proposed system of social insurance would have on private business remain to be studied further along with many other questions not adequately discussed in this tentative outline.

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